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Congressional Testimony

Testimony of Gary M. Bald,
Acting Assistant Director Counterterrorism Division, FBI
Before the Senate Caucus on International Narcotics Control
March 4, 2004

Good morning Mr. Chairman and members of the United States Senate Caucus on International Narcotics Control. On behalf of the Federal Bureau of Investigation (FBI), I would like to express my gratitude to you for affording us the opportunity to participate in this forum and to provide comments on the FBI's achievements, together with our partners in the war on terror, in the effort to identify, dismantle and disrupt sources of terrorist financing and money laundering. I also appreciate the opportunity to highlight our efforts with regard to interagency cooperation in the battle against terrorist financing.

The fight against terrorist financing is a major front in our war on terror. We recognize that terrorists, their networks and support structures require funding in some form to exist and operate. Whether the funding and financial support is minimal or substantial, it often leaves a financial trail that can be traced, tracked, and exploited for proactive and reactive purposes. Being able to identify and track financial transactions and links after a terrorist act has occurred or a terrorist activity has been identified is important, but the key lies in exploiting financial information to identify previously unknown terrorist cells, recognizing potential terrorist activity or planning, and predicting and preventing potential terrorist acts. To this end, the FBI has bolstered its ability to effectively combat terrorism through the formation of the Terrorist Financing Operations Section (TFOS).

TFOS was created in April, 2002 to combine the FBI's traditional expertise in conducting complex criminal financial investigations with advanced technologies and the critical legislative tools provided through the USA PATRIOT Act. TFOS has built upon these established mechanisms by developing cooperation and coordination among law enforcement and intelligence agencies, both domestic and foreign, to form the preeminent terrorist financing investigative operation. In the past several months, TFOS has demonstrated its capabilities by conducting near real-time financial tracking of a terrorist cell and providing specific and identifiable information to a foreign intelligence agency, which resulted in the prevention of six, potential deadly terrorist attacks.

The TFOS mission includes: conducting full financial analysis of terrorist suspects and their financial support structures in the US and abroad; coordinating joint participation, liaison, and outreach efforts to exploit financial resources of private, government, and foreign entities; utilizing FBI and Legal Attachéé expertise and relationships to fully develop financial information from foreign law enforcement and private agencies, including the deployment of TFOS personnel abroad to locations such as Iraq; working jointly with the intelligence community to fully exploit intelligence information to further terrorist investigations; working jointly with prosecutors and with the law enforcement and regulatory

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communities; developing predictive models and conducting data analysis to facilitate the identification of previously unknown or "sleeper" terrorist suspects; and providing the financial component to classified counterterrorism investigations in support of the FBI's counterterrorism responsibilities.

Achievements towards the identification, dismantlement and disruption of sources of terrorist financing:

Before addressing some specific, investigative accomplishments in the fight against terrorist financing since 9/11/01, it is important to mention our progress in broad areas. For instance, international awareness and cooperation on the problem of terrorist financing has reached unparalleled levels. Outreach with, and cooperation from, the private sector has been outstanding and continues to develop--particularly the level of two-way interaction between law enforcement and the private sector. The resulting ability of FBI to access and obtain information in a timely fashion has significantly enhanced the FBI's ability to identify, investigate, and resolve immediate threat situations involving potential terrorist activity. Moreover, the ability to conduct near real-time monitoring of specifically identified financial activity has been invaluable not only to investigations ongoing in the US, but to foreign law enforcement and intelligence agencies in related investigations.

As an example of our successful liaison and outreach efforts, extensive training and support of international investigations by TFOS has resulted in Agent visits, exchanges and training programs involving countries in Europe, Southeast Asia, the Middle East, Africa and South America. In support of specific high profile joint terrorist financial investigative matters, a number of countries and agencies, including the United Kingdom, Switzerland, Canada and Europol, have detailed investigators to TFOS on a temporary duty basis.

TFOS has engaged in extensive coordination with authorities of numerous foreign governments in terrorist financing matters, leading to joint investigative efforts throughout the world. These joint investigations have successfully targeted the financing of several overseas Al-Qa'ida cells. Furthermore, through the assistance of relationships established with the central banks of several strategic countries, successful disruptions of Al-Qa'ida financing have been accomplished in countries such as the UAE, Pakistan, Afghanistan, Philippines and Indonesia.

As part of this effort, TFOS has developed a specific terrorist financing and money laundering crimes curriculum for international training that includes topics such as: acquiring and handling evidence in document intensive financial investigations, major case management techniques, forensic examination tools, and methods of terrorist financing. At the request of the US Department of State, TFOS and the Internal Revenue Service have provided this curriculum to ten countries in just the past year, and are scheduled to provide it to approximately 38 countries overall, identified by the National Security Council as needing law enforcement training on conducting terrorist financing investigations.

Needless to say, access to foreign banking records is often critical to effectively following terrorist money. Through these training and outreach initiatives, TFOS has been able to obtain direct access to records provided by foreign central banks in numerous countries. In return, TFOS has also been able to assist these and other countries with the reciprocal sharing of terrorism related financial information.TFOS has cultivated and maintains a contact database of private industry and government sources and persons who can provide financial data, including near real-time 044 monitoring of financial transactions. Many of these contacts can be reached or accessed on a 24 hour/7 days a week basis, allowing TFOS to respond rapidly to critical incidents.

Through these contacts, with appropriate legal process, and pursuant to FBI investigative guidelines, TFOS has access to data and information from a variety of entities including: Banking Institutions, the Credit/Debit Card Sector, Money Services Businesses, the Securities/Brokerages Sector, Insurance Companies, Travel Agencies, Internet Service Providers, the Telecommunications Industry, Law Enforcement, State/Federal Regulatory Agencies, Public and Open Source Data Providers, the Intelligence Community, and International Law Enforcement and Intelligence Contacts. Access to this type of information is governed by the Right to Financial Privacy Act, Fair Credit Reporting Act, and other applicable statutes. The timeliness and accessibility of the data from these sources is contingent on a variety of factors, including whether the acquisition of the information requires legal process, the search capabilities of the data provider, and the size and depth of the data request. Nevertheless, as I've noted, the ability to access and obtain this type of information in a time sensitive and urgent manner has significantly enhanced the FBI's ability to identify, investigate and resolve immediate threat situations involving potential terrorist activity.

INTERAGENCY COOPERATION

Organizational changes have taken place within the Executive Branch with respect to the investigation of terrorism financing, including the execution of a Memorandum of Agreement (MOA) between the Department of Justice (DOJ) and the Department of Homeland Security (DHS) concerning terrorist financing investigations. The MOA addressed the importance of waging a seamless, coordinated law enforcement campaign against terrorist sources of financing. Signed by Attorney General Ashcroft and Homeland Security Secretary Ridge on May 13, 2003, it designates the FBI as the lead terrorist financing investigations and operations agency, and enables DHS to focus its law enforcement activities on protecting the integrity of US financial systems. To this end, DHS implemented "Operation Cornerstone", led by Immigration and Customs Enforcement (ICE), to identify vulnerabilities in financial systems through which criminals launder their illicit proceeds, bring them to justice and work to eliminate financial infrastructure vulnerabilities. Former US Customs Service "Operation Green Quest" criminal cases having no nexus to terrorism were converted to "Operation Cornerstone", while those cases having a nexus to terrorism were transitioned to the appropriate FBI Joint Terrorism Task Force (JTTF) where participating ICE Task Force members continue to play significant roles. Ongoing and future "Operation Cornerstone" investigations that develop links to terrorism will be referred to the FBI through TFOS. ICE and TFOS are coordinating investigative initiatives that will enable ICE to identify financial systemic vulnerabilities, and which will enable TFOS to identify ties to terrorism and terrorist financing. In addition, there is a liaison from ICE assigned to TFOS, and investigators from ICE are assigned to the JTTFs. The FBI has reciprocated by assigning an FBI Agent Unit Chief to the ICE offices in Washington, D.C.

In the various 84 JTTFs throughout the United States, ICE and FBI Agents are working side by side on numerous joint investigations. The exact number of ICE and FBI Agents varies from city to city and depends largely upon the workload at each JTTF. The JTTF does not only include ICE and FBI Agents, but representatives from State and Local law enforcement agencies, and other federal agencies such as the Internal

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Revenue Service, Department of Defense, Department of the Treasury, Central Intelligence Agency, Postal Inspection and the Environmental Protection Agency. Every Agency has an open-ended invitation to participate in the JTTF, and FBI Special Agents In Charge are particularly encouraged to promote interagency cooperation through the JTTFs.

Information sharing is critical to all of our efforts. The intelligence community, including the FBI, produces and obtains tremendous amounts of classified intelligence information. While much of the information can be of significant value in terrorist finance investigations, the value will not be realized or maximized absent the ability to filter the information, analyze it, and disseminate it in an appropriate manner to those who can make the best use of the information. Toward this end, TFOS participates in joint endeavors with the Treasury Department, the Department of Justice, and the Department of Homeland Security involving potential terrorist related financial transactions. TFOS also has personnel detailed to the CIA's Counter Terrorism Center, and personnel from there work directly with TFOS on financial intelligence matters.

In addition, the National Security Council (NSC) formalized the Policy Coordinating Committee (PCC) on Terrorist Financing at the end of 2001. The NSC chairs the PCC, which generally meets at least once a month to coordinate the United States government's campaign against terrorist financing. The meeting generally focuses on ensuring that all relevant components of the federal government are acting in a coordinated and effective manner to combat terrorist financing.

The Departments of State, the Treasury, Homeland Security and Justice also participate in an interagency Terrorist Financing Working Group, chaired by the State Department, to coordinate government efforts to identify, prioritize, assess, and assist those countries whose financial systems are vulnerable to terrorist exploitation. Groups of experts, including DOJ money laundering prosecutors, interagency law enforcement and regulatory members, have provided extensive on-the-ground assessments of such countries' vulnerabilities in an effort to develop and provide targeted training and technical assistance to those countries identified as most vulnerable.

EXAMPLES OF INVESTIGATIONS

In addition to these developments, the FBI, working in coordination with other entities of the US government, has participated in the following successes pertaining to terrorist financing:

The FBI conducted a detailed financial investigation/analysis of the19 hijackers and their support network, following the September 11th attacks. This investigation initially identified the Al Qa'ida funding sources of the 19 hijackers in the UAE and Germany. The financial investigation also provided the first links between Ramzi Binalshibh and the 9/11/01 terrorist attacks. A continuing investigation, in coordination with the PENTTBOMB Team, has traced the origin of the funding of September 11th back to financial accounts in Pakistan, where high-ranking and well-known Al Qa'ida operatives played a major role in moving the money forward, eventually into the hands of the hijackers located in the US. As part of the 9/11/01 financial investigation, thousands of individuals and organizations were investigated in the US and abroad to determine whether they played any part in supporting the hijackers or the operation. Although the vast majority of these individuals and organizations were cleared of culpability, this process of elimination resulted in numerous other quality terrorism

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investigations being initiated, as well as criminal charges against hundreds of individuals for fraud and other criminal activity.

In 2001, an FBI Joint Terrorism Task Force in Charlotte, North Carolina, utilized racketeering statutes to obtain criminal convictions and, thus, disrupt and dismantle a Hizballah procurement and fundraising cell. Twenty-four individuals were arrested for crimes including immigration fraud, visa fraud, cigarette smuggling, interstate transportation of stolen property, fraud, bank fraud, bribery, money laundering, racketeering, and providing material support to a designated terrorist organization, with the final conviction delivered in 2003. Sentences imposed range up to more than 150 years.

In 2002, the FBI coordinated with the Treasury Department's Office of Foreign Asset Control (OFAC) to justify the blocking of Holy Land Foundation for Relief and Development (HLF) assets and the closing of its US offices, shutting down Hamas' largest fund-raising entity in the US. The HLF had been linked to the funding of Hamas terrorist activities, and in 2000, raised $13 million.

In October 2002, the FBI and other US government agencies assisted German authorities in identifying and taking legal action against Hamas in Germany. Through the efforts of the FBI, including TFOS, exchanges with Germany led to the closure of the Al Aqsa Foundation in Germany, a suspected Hamas fundraising organization.

In December 2002, a federal grand jury in Dallas returned an indictment against a senior leader of Hamas, Mousa Abu Marzouk, for conspiring to violate US laws that prohibit dealing in terrorist funds. Also charged and arrested by the FBI were Ghassan Elashi, the chairman of the Holy Land Foundation for Relief and Development, a charitable organization designated as a terrorist organization by the US Treasury Department's Office of Foreign Asset Control because of its fundraising activities on behalf of Hamas. Elashi and four of his brothers, all of whom are employees of the Richardson, Texas-based InfoCom Corporation, were charged with selling computers and computer parts to Libya and Syria, both designated state sponsors of terrorism. The indictment alleged that the Elashi brothers disguised capital investment from Marzouk, a specially designated terrorist for his admitted leadership role with Hamas, for their telecommunications company, InfoCom. The indictment and subsequent arrests have disrupted a US based business, which was conducting its activities with a known Hamas leader and state sponsors of terrorism.

In January 2003, the FBI, working in conjunction with German law enforcement, arrested Mohammed Al Hasan Al-Moayad, a Yemeni national, on charges of conspiring to provide material support to Al Qa'ida and Hamas. Al-Moayad was a significant financial contributor to Al Qa'ida and Hamas, and boasted he had provided over $20 million dollars to Usama Bin Laden. Al-Moayad participated in several fund raising events at the Al Farouq Mosque in Brooklyn, NY. Al-Moayad was arrested during an undercover operation where he believed that he was to receive a large financial contribution, which he advised an FBI source would be used to support mujahideen fighters of Al Qa'ida and Hamas. Along with Al-Moayad, several of his associates in New York were arrested for violating banking reporting requirements by structuring over $300,000 in several bank accounts in the United States.

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Offices of the Benevolence International Foundation (BIF), a US based charity, were shut down and its assets and records blocked following an

OFAC and FBI investigation which determined the charity was being used to funnel money to Al Qa'ida. In February 2003, Enaam Arnaout, the head of BIF, pleaded guilty to racketeering conspiracy, admitting he fraudulently obtained charitable donations in order to provide financial assistance to persons engaged in violent activities overseas.

A criminal case against Sami Al Arian, the alleged US leader of the Palestinian Islamic Jihad (PIJ), and the World Islamic Studies Enterprise forced the closure of several front companies suspected of funneling money to support PIJ operations against Israel. In August 2002, the investigation led to the deportation of Mazen Al-Najjar, the brother-in-law of Sami Al Arian and a known PIJ member. In February of 2003, following a 50-count indictment for RICO and Material Support of Terrorism violations, the FBI arrested Al-Arian and three other US-based members of the PIJ, including Sameeh Hammoudeh, Hatim Naji Fariz, and Ghassan Ballout. The FBI also executed seven search warrants associated with this action.

In February of 2004, the FBI executed search warrants on the Ashland, Oregon office of Al Haramain Islamic Foundation, Inc. (AHIF). AHIF is one of Saudi Arabia's largest non-governmental organizations (NGO) with offices located throughout the world. AHIF's stated mission is to provide charitable services and Islamic education around the world. Based upon AHIF's claim to be a public benefit corporation organized exclusively for religious, humanitarian, educational and charitable purposes, the IRS granted AHIF tax-exempt status. The warrants were executed to further the investigation of criminal violations of Currency and Monetary Instrument reporting requirements by AHIF principals and subscribing to a false informational tax form. The investigation specifically focuses on a series of transactions involving traveler's checks cashed out of country and the mischaracterization of funds received by AHIF.

TFOS is assisting coalition forces in Iraq in efforts to identify, disrupt, and dismantle the financial infrastructure of terrorist groups that are, or are planning to, attack coalition forces.

TFOS has provided operational support to FBI Field Divisions and JTTFs across the United States to enhance their intelligence/criminal investigations of individuals and groups associated with, or providing material support to, terrorist organizations and activities. This assistance is provided in the form of conducting intelligence/criminal financial investigations, financial analytical support, major case management, financial link analysis, and the deployment of teams of experts to develop investigative plans to analyze large volumes of documents and data. TFOS has provided this type of operational support in Al Qa'ida cases in Buffalo and Portland, as well as in the Richard Reid, John Walker Lindh, Al Haramain, PIJ, and Mohamed Al-Moayad cases, among many others. This type of operational support has also been provided to Divisions investigating non-governmental organizations (NGOs), such as the Holy Land Foundation for Relief and Development, Benevolence International Foundation and the Global Relief Foundation.

Since 9/11, the U.S. Government has blocked $36.3 million in terrorist assets located domestically, while the international community has blocked over $136 million, for a total of over $172 million. The FBI has provided assistance to both its U.S. Government partners and the international community by showing the definitive links to known terrorist organizations. 048

The Treasury and State Departments have issued blocking orders on the assets of more than 340 terrorists, terrorist organizations, and terrorist supporters, many of them identified by the FBI, effectively denying them access to the US financial system.

Federal law enforcement officials, working with the FBI in the JTTFs, have arrested over 61 individuals, indicted 47 and convicted 14 in connection with terrorist financing investigations.

US Government agencies, to include the FBI's TFOS, deployed trainers and advisers on missions to countries around the world to assist with the drafting of legislation to combat terrorist financing, strengthen bank supervision in identifying suspicious transactions, and address other financial crimes and corruption. Since 9/11/01, over 80 countries have introduced new terrorist-related legislation and approximately 84 countries established Financial Investigation Units.As previously noted, TFOS has conducted near real-time financial tracking of a terrorist cell and provided specific and identifiable information to a foreign intelligence agency, which resulted in the prevention of six, potential deadly terrorist attacks.It should be noted that the above examples do not include the many classified intelligence successes that have directly contributed to the prevention or disruption of terrorist activities.

The use of information technology to better identify and isolate suspicious transactions related to terrorist financing:

The FBI has a responsibility to be not only reactive but proactive, and to think strategically about potential threats and future case development. Accordingly, TFOS, together with the Counter-Terrorism Section, Criminal Division of the Department of Justice, has begun a number of proactive initiatives to identify potential terrorists and terrorist related financing activities.The overriding goal of these projects is to proactively identify potential terrorists and terrorist related individuals, entities, mechanisms or schemes through the digital exploitation of data. To accomplish this, TFOS seeks to 1) identify potential electronic data sources within domestic and foreign government and private industry providers; 2) create pathways and protocols to legally acquire and analyze the data; and 3) provide both reactive and proactive operational, predictive and educational support to investigators and prosecutors.Utilizing the latest computer technology available, the Counterterrorism Division serves as a proactive, financial intelligence investigative management and support team. TFOS generates leads for other FBI components and proposes and conducts proactive financial intelligence initiatives and projects. TFOS works closely with other operational units and document exploitation initiatives to ensure financial intelligence is being fully exploited and disseminated.

TFOS has conducted an extensive review of data mining software and link analysis tools currently utilized by other governmental and private industries for consideration of use by the FBI. TFOS also participates in the FBI's SCOPE Intelligence Data Warehouse (IDW) User Management Group and has been involved in the development and planning for future enhancements to the IDW. TFOS's Proactive Exploitation Group (PEG) has created an interactive, computer playbook generator that can assist investigators in determining data sources to be queried, based upon the quantity and quality of their investigative data.TFOS has initiated several projects to integrate data from its internal financial database, open/public source data and FBI and other government data sources onto a central query platform. Through this process, and in concert with contract vendors working for the SCOPE IDW Project, TFOS has developed a

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process whereby it can batch query multiple databases. This has the potential to save the FBI hundreds, if not thousands, of hours of data input and query time on each occasion it is utilized. Furthermore, it facilitates rapid acquisition and sharing of information with other agencies. Through the sophisticated tools being utilized, and the matching protocols developed, TFOS can ensure each query is properly conducted and done to a best practices query standard. Recently, TFOS utilized the batch process it developed to exploit over three thousand identifiers. The batch process accomplished in hours what would have taken TFOS personnel and FBI Field Offices over 4,300 man-hours to conduct. Furthermore, because TFOS conducted the queries in batch form, and has global access to all of the search results, previously unidentified links, patterns and associates among the data can now be extracted. Absent the batch process, this would have been extremely difficult, if not impossible, to accomplish.

TFOS has initiated a variety of proactive data mining projects to identify potential terrorists and terrorist financing. The projects were conceived in 2002 and now, with the advent of certain software tools and data access, are either being implemented or will begin shortly.

An example of this is the Terrorist Risk Assessment Model (TRAM), which seeks to identify potential terrorist and terrorism financing activity through the use of targeted, predictive pattern recognition algorithms. The project entails the compilation of past and current known data regarding individual and group terrorist activity, methodologies, demographics, financial patterns, etc., to form a predictive pattern recognition program.

It is important to understand that these projects and similar initiatives by TFOS seek only to more fully exploit information already obtained by the FBI in the course of its investigations or through the appropriate legal process, and where there is an articulated law enforcement need. TFOS does not seek access to personal or financial information outside these constraints.

National Money Laundering StrategyWith respect to the 2003

National Money Laundering Strategy, the FBI concurs with the strategy's goals and objectives. The blocking of terrorist assets worldwide, establishing and promoting of international standards for adoption by other countries to safeguard their financial infrastructures from abuse and facilitating international information are several key objectives which must be achieved if law enforcement and regulatory agencies are to have any success in stemming the flow of illegal funds throughout the world. Within the FBI, the investigation of illicit money flows crosses all investigative program lines.

The number one priority of the FBI is prevention of terrorism. To prevent terrorist acts, all investigative and analytical tools of the U.S. Government must be strategically applied, in a cohesive manner, through the JTTFs.

Our efforts to combat terrorism have been greatly aided by the provisions of the PATRIOT Act and, pursuant to the 2003 National Money Laundering Strategy, the FBI is ensuring its vigorous and appropriate application. It has already proven extraordinarily beneficial in the war on terrorism. Most importantly, the PATRIOT Act has produced greater collection and sharing of information within the law enforcement and intelligence communities.

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Title III of the Act, also known as the International Money Laundering Anti-Terrorist Financing Act of 2001, has armed us with a number of new weapons in our efforts to identify and track the financial structures supporting terrorist groups. Past terrorist financing methods have included the use of informal systems for transferring value in a manner that is difficult to detect and trace. The effectiveness of such methods should be significantly eroded by the Act, which establishes stricter rules for correspondent bank accounts, requires securities brokers and dealers to file Suspicious Activity Reports or SARS, and money transmitting businesses, which include any person who engages as a business in the transmission of money, to register with the Financial Crimes Enforcement Network (FinCEN) and file SARS.

There are other provisions of the Act that have considerably aided our efforts to address the terrorist threat including: strengthening the existing ban on providing material support to terrorists and terrorist organizations; the authority to seize terrorist assets; and the power to seize money subject to forfeiture in a foreign bank account by authorizing the seizure of funds held in a US correspondent account.The FBI has utilized the legislative tools provided in the USA PATRIOT Act to further its terrorist financing investigations. It is important for the Committee and the American people to know that we are using the PATRIOT Act authorities in a responsible manner. We are effectively balancing our obligation to protect Americans from terrorism with our obligation to protect their civil liberties.

Terrorism represents a global problem. The FBI is committed to its U.S. and international partnerships and to effectively sharing information to protect our nation from terrorism. To meet this goal, the FBI has formed the International Terrorism Financing Working Group (ITFWG), which includes law enforcement and intelligence agency representatives from the United Kingdom, Canada, Australia and New Zealand, and addresses the international aspect of terrorist financing investigations.

Alternate Financing Mechanisms

In its latest report assessing the use of alternate financing mechanisms by terrorists, GAO recommended that, "The Director of the FBI should systematically collect and analyze data concerning terrorists' use of alternative financing mechanisms". The FBI has already implemented some measures to address the GAO's recommendation, and plans to implement additional measures by April 30, 2004 which address concerns identified in the GAO report.

The FBI has established specifically defined intelligence requirements used to guide the Bureau's collection efforts within its Office of Intelligence. As a result, we developed specific intelligence requirements, which are tied to various known indicators of terrorist financing activity.

TFOS has developed statistical queries in the FBI's CT Annual Field Office Report (AFOR) pertaining to terrorist financing. Included in this reporting are responses to the tracking, locating, and monitoring of subjects of terrorism investigations through the identification of emerging trends pertaining to terrorist financing techniques, including alternative financing mechanisms discovered through other criminal investigations.

TFOS has established the Program Management and Coordination Unit (PMCU), which will be responsible for, among other things, tracking various funding mechanisms used by many different subjects in ongoing investigations - to include alternative financing mechanisms. The PMCU will be well positioned to identify emerging trends across the spectrum of terrorist financing. 051

Measures to collect and analyze data concerning terrorists' use of alternative financing mechanisms will greatly enhance our ability to recognize, respond to, and ultimately disrupt or dismantle terrorist organizations reliant upon them. Through the international partnerships that we have established, additional sources from which to obtain similar information regarding alternative financing mechanisms are of great mutual benefit. The FBI intends to maintain and encourage liaison and relationships with our law enforcement colleagues both in the United States and all over the world to ensure that new methods of terrorism financing, as well as current ones, are accurately tracked and monitored.

Again, I offer my gratitude and appreciation to you, Chairman Grassley, as well as the distinguished members of this Caucus, for dedicating your time and effort to this issue, and I would be happy to respond to any questions you may have.

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FROM THE OFFICE OF PUBLIC AFFAIRS

February 19, 2004
JS-1183

Treasury Announces Actions Against AL-Haramain

The United States Attorney's Office for the District of Oregon announced a federal search warrant was executed yesterday against property purchased on behalf of the Al Haramain Islamic Foundation, Inc. in Ashland, Oregon .

The search was led by agents of the Internal Revenue Service-CI as part of a joint Federal Bureau of Investigation (FBI) and Department of Homeland Security (DHS)/Immigration and Customs Enforcement investigation.

This search was conducted pursuant to a criminal investigation into possible violations of the Internal Revenue Code, the Money Laundering Control Act and the Bank Secrecy Act. The suspected crimes relate to possible violations of the currency reporting and tax return laws by two officers of the Ashland Oregon office of Al Haramain Foundation, Inc.

In a separate administrative action today, the Treasury's Office of Foreign Assets Control (OFAC) has blocked pending investigation accounts of the Al Haramain Foundation, Inc. to ensure the preservation of its assets pending further OFAC investigation.

The parent of the Oregon Al Haramain Islamic Foundation is headquartered in Saudi Arabia, and is one of that country's largest Non Governmental Organizations, with worldwide reach.

In March 2002, the United States Treasury and the Kingdom of Saudi Arabia jointly designated the Bosnian and Somalia Branches of Al Haramain as supporters of terrorism. In December 2003, the reconstituted branch of Al Haramain in Bosnia, Vazir, was also designated by both governments as a supporter of terrorism. In January 2004, the Kingdom of Saudi Arabia and the U.S. Department of the Treasury jointly designated four additional Al Haramain branches – Indonesia, Tanzania, Kenya and Pakistan – as being supporters of terrorism. The United Nations has adopted these Al Haramain designations and imposed an asset freeze, travel ban and arms embargo pursuant to United Nations Security Council Resolutions 1267/1390/1455.

EXHIBIT L

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Congressional Testimony

Testimony of John S. Pistole, Assistant Director, Counterterrorism Division, FBI
Before the Senate Committee on Banking, Housing and Urban Affairs
September 25, 2003
"Identifying, Tracking and Dismantling the Financial Structure of Terrorist Organizations"

Good Morning Chairman Shelby, Senator Sarbanes, and other distinguished members of the committee. On behalf of the FBI, I would like to thank you for this opportunity to address the FBI's role in ensuring greater integrity of our country's financial institutions with respect to terrorist financing. I will discuss the FBI's efforts in identifying, tracking and dismantling the financial structure supporting terrorist groups to include forward thinking proactive and predictive capabilities. I will speak about our evolving liaison, sharing and outreach relationships with the financial community as well as with foreign governments and their respective financial and regulatory institutions (to include Saudi Arabia). I will conclude with some recent terrorist financing successes and the challenges we as well as private industry still face in following the money and obtaining and analyzing financial records, especially in emerging threat situations.

FBI CHANGE IN FOCUS

As Director Mueller stated during his June 18, 2003 testimony before the House of Representatives Committee on Appropriations it is critical that the FBI transform it's "intelligence effort from tactical to strategic..if the FBI is to be successful in preventing terrorism and more proactive in countering foreign intelligence adversaries and disrupting and dismantling significant criminal activity."

Following the events of September 11, 2001 (9/11), the FBI changed it's focus making counterterrorism it's highest priority and redirecting resources accordingly. The emphasis was placed on intelligence with prevention as our primary goal. Counter terrorism investigations have become intelligence driven. Criminal investigation into these matters is considered a tool to achieve disruption, dismantlement and prevention.

FORMATION OF TFOS

Prior to the events of 9/11, the FBI had no mechanism to provide a comprehensive, centralized, focused and pro-active approach to terrorist financial matters. While the FBI examined financial records at the time of previous terrorist attacks, as part of the investigation into each of the attacks, the events of 9/11 identified a critical need for a more comprehensive, centralized approach to financial matters. The Terrorist Financing Operations Section (TFOS) of the FBI's Counterterrorism Division was formed, immediately after 9/11, in response to this critical need. The mission of the TFOS has since evolved into a broader strategy

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to identify, investigate, prosecute, disrupt and dismantle incrementally, all terrorist related financial and fund-raising activities.

Identifying, tracking and dismantling the financial structure supporting terrorist groups is critical to successfully dismantling the organizations and preventing future terrorist attacks. As is the case in most investigations, locating and "following the money" plays a critical role in identifying those involved in the criminal activity, establishing links among them, and developing evidence of their involvement in the activity.

Terrorists, their networks and support structures, require funding in some form to exist and operate. Whether the funding and financial support is minimal or substantial, it usually leaves a financial trail that can be traced, tracked, and exploited for pro-active and reactive purposes. Being able to identify and track financial transactions and links after a terrorist act has occurred or terrorist activity has been identified, represents only a small portion of the mission; the key lies in exploiting financial information in efforts to identify previously unknown terrorist cells, recognize potential terrorist activity/planning, and predict and prevent potential terrorist acts.

In forming the TFOS, the FBI built upon its traditional expertise in conducting complex criminal financial investigations and long established relationships with the financial services communities in the United States and abroad. Integrating these skills and resources with the Counterterrorism Division, allows the FBI to bring its full assets to bear in the financial war on terrorism.

The TFOS is both an operational and coordinating entity with pro-active and reactive responsibilities. As a coordinating entity, the TFOS is responsible for ensuring that a unified approach is pursued in investigating terrorist financing networks. The TFOS achieves this directive by: 1) coordinating the financial aspects of FBI Field Office and Legat terrorism investigations; 2) establishing overall initiatives, policy and guidance on terrorist financing matters; 3) participating in the National Security Council's Policy Coordinating Committee (PCC) on Terrorist Financing; 4) coordinating national liaison with the financial services sector; 5) cooperating in and coordinating criminal terrorist financing investigations with the Department of Justice; and 6) providing support and training to Field Offices to include the designated Terrorism Financing Coordinator (TFC) .

It is critical that the financial aspects of terrorism investigations be adequately addressed and that a concerted, coordinated effort is made to investigate terrorist finance issues by experienced financial investigators. Rarely will a terrorist financing investigation be confined to the territory of one field office, rather they normally span not only multiple field office jurisdictions, but the globe; i.e., these types of investigations will frequently be linked to investigations and/or issues in other jurisdictions and other countries. It is imperative that these investigative efforts be effectively coordinated, placed into perspective with other counterterrorism efforts, prioritized in accordance with national and global strategies, and addressed in concert rather than in a disjointed, inefficient manner. Prior to the establishment of the TFOS, there did not exist within the FBI a mechanism to ensure appropriate focus on terrorist finance issues and provide the necessary expertise and overall coordination to comprehensively address these matters.

So how far have we come in the war on terrorist financing since 9/11? There currently exists a much better understanding of terrorist financing

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methods. More sophisticated and effective processes and mechanisms to address and target terrorist financing continue to develop and evolve. Pro-active approaches are increasingly being utilized. The awareness around the world on the part of law enforcement, government agencies, regulators and policy makers, and the private sector of terrorist financing methods, suspicious financial activity and vulnerabilities is much higher since 9/11. International cooperation has reached unparalleled levels. Outreach with, and cooperation from, the private sector has been outstanding and continues to develop, particularly the level of two-way interaction between law enforcement and the private sector. The ability to access and obtain this type of information in a timely fashion has significantly enhanced the FBI's ability to identify, investigate, and resolve immediate threat situations involving potential terrorist activity. However, we still face significant challenges in obtaining and analyzing financially related records in a timely fashion, especially in emerging threat situations, which I will discuss later in my testimony. The ability to conduct near real-time monitoring of specifically identified financial activity has been invaluable to not only investigations ongoing in the US, but to foreign law enforcement and intelligence agencies in related investigations. This illustrates another example of not only more pro-active measures but also of increased cooperation and coordination with the international community.

LIAISON AND OUTREACH

Extensive training and support of international investigations by the TFOS has led to Agent visits/exchanges and training programs involving a variety of countries from Europe, Asia, the Middle East, South America, and Africa. In support of specific high profile joint terrorist financial investigative matters, a number of countries and agencies, including the United Kingdom, Switzerland, Canada, Germany and Europol, have detailed investigators to the TFOS on a TDY basis. The TFOS has engaged in extensive coordination with authorities of numerous foreign governments in terrorist financing matters, leading to joint investigative efforts throughout the world. These joint investigations have successfully targeted the financing of several overseas Al Qaeda cells, including cells located in Indonesia, Malaysia, Singapore, Spain, and Italy. We have also disrupted Al Qaeda financing in the UAE, Pakistan, Afghanistan, and Indonesia with the assistance of relationships established with authorities in those and other countries.

The TFOS has developed a specific terrorist financing/money laundering crimes curriculum for international training which includes topics such as: acquiring and handling evidence in document intensive financial investigations, major case management techniques, forensic examination tools, and methods of terrorist financing. At the request of the U.S. Department of State, the TFOS has led an interagency team to provide this curriculum to a number of countries (and is scheduled to provide to approximately 38 countries) identified as needing law enforcement training on conducting terrorist financing investigations.

Through these training and outreach initiatives the TFOS has been able to build relationships with foreign counterparts that improves the FBI's ability to obtain access to financial records held by foreign financial institutions.

The TFOS has cultivated and maintains a contact database of private industry and government sources/persons who can provide financial data, including near real-time monitoring of financial transactions. Many of 058 these contacts can be reached or accessed on 24 hour/7 days a week emergency basis allowing the TFOS to respond rapidly to critical incidents. In all cases, TFOS follows applicable legal procedures in obtaining access to financial data.

Through these contacts and with legal process the TFOS has access to data and information from a variety of entities including: Banking, Credit/Debit Card Sector, Money Services Businesses, Securities/Brokerages Sector, Insurance, Travel, Internet Service Providers, Telecommunications Industry, Law Enforcement, State/Federal Regulatory Agencies, Public and Open Source Data Providers, the Intelligence Community, and International Law Enforcement and Intelligence Contacts. The timeliness and accessibility of the data is contingent on a variety of factors including whether the acquisition of the information requires legal process, the search capabilities of the data provider, and the size and depth of the data request. The ability to access and obtain this type of information in a time sensitive and urgent manner has significantly enhanced the FBI's ability to identify, investigate and resolve immediate threat situations involving potential terrorist activity. For example, the ability to conduct near real-time monitoring of specifically identified financial activity has been invaluable to not only investigations ongoing in the US, but to foreign law enforcement and intelligence agencies in related investigations.

Being able to identify and track financial transactions and links after a terrorist act has occurred or terrorist activity has been identified represents only a small portion of the mission. The key lies in exploiting financial information in efforts to identify previously unknown terrorist cells, recognize potential terrorist activity/planning, and predict and prevent potential terrorist acts. Prior to 9/11, there was not enough emphasis placed on addressing the mechanisms and systems associated with terrorist financing and disrupting them before they could be utilized to further terrorist activities.

PROACTIVE TFOS PROJECTS

The TFOS has a responsibility to be not only REACTIVE but PROACTIVE as well, to think strategically about potential threats and future case development. As a result, the TFOS, together with the Counterterrorism Section (CTS), Criminal Division of the Department of Justice (DOJ), have begun a number of pro-active initiatives to identify potential terrorists and terrorist related financing activities.

The overriding goal of these projects is to identify potential terrorists and terrorist related individuals/entities, mechanisms or schemes through the digital exploitation of data. To accomplish this, the TFOS seeks to 1) identify potential data sources; 2) create pathways and protocols to legally acquire and analyze the data; and 3) provide both reactive and proactive operational, predictive and educational support to investigators and prosecutors.

It is important to understand that these projects and similar initiatives by the TFOS seek only to more fully exploit information already obtained by the FBI in the course of it's investigations or through the acquisition of new data through the appropriate channels and legal process. The FBI does not seek access to personal or financial information outside these constraints.

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INFORMATION SHARING

Information sharing is critical to all of our efforts. The intelligence community, including the FBI, produces and obtains tremendous amounts of classified intelligence information. While much of the information can be of significant value in terrorist finance investigations, the value will not be realized nor maximized absent the ability to filter the information, analyze it, and disseminate it in an appropriate manner to those who can make the best use of the information. Toward this end, the TFOS participates in joint endeavors involving the CIA, FBI, Treasury Department, Department of Justice, and the Department of Homeland Security involving potential terrorist related financial transactions, in addition to other joint participation between the TFOS and the intelligence agencies. The TFOS has personnel detailed to the CIA/CTC and personnel from there work directly with the TFOS on financial intelligence matters.

A Policy Coordinating Committee (PCC) on Terrorist Financing was formalized at the end of 2001. The PCC generally meets at least once a month to coordinate the United States government's campaign against terrorist financing. The meeting generally focus on ensuring that all relevant components of the federal government are acting in a coordinated and effective manner to combat terrorist financing.

SAUDI ARABIA AND THE WAR ON TERRORISM

Following the 9/11 attacks, it became apparent that the role of Non-Governmental Organizations (NGOs) and charitable organizations, as a potential source of funding for terrorist groups, needed closer scrutiny. This included any role that may have involved Saudi Arabia or its citizens in the support of terrorism, both directly and indirectly, through the financial support of these charitable organizations.

The Kingdom of Saudi Arabia has taken important steps to deter global terrorism, and has redoubled its efforts following the deadly car bombings in the Kingdom on May 12, 2003. Prior to the May 12 bombings, Saudi Arabia put new laws and regulations in place for all charitable organizations, ensuring that they are audited to prevent the flow of funds to entities other than charity. Saudi Arabia has also strengthened its laws and regulations regarding money laundering. These efforts include new rules concerning the verification of customers' identities as well as restrictions on non-residents' ability to open accounts in the country. These measures are being reviewed this week by an international team of experts from the Financial Action Task Force.

In March 2002, Saudi Arabia and the U.S. Government jointly blocked the accounts of Bosnia and Somalia branches of Al-Haramain Islamic Foundation, and of Wa'el Hamza Julaidan, an associate of Usama bin Laden who provided financial and logistical support to Al Qaeda.

Since the May 12, 2003 bombings of the three western compounds in Riyadh, Saudi Arabia, cooperation with the Kingdom of Saudi Arabia has significantly improved. The FBI sent an investigative team to the Kingdom and worked with the law enforcement and intelligence services to conduct the appropriate post incident investigation and evidence collection. Cooperation with the Saudi Arabian government continues on this and other terrorism investigations. Saudi Arabia has contributed to the break up of a number of Al Qaeda cells, the arrests of key Al Qaeda leaders and the capture of Al Qaeda members in Saudi Arabia.

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The Saudi and U.S. Governments have recently agreed to focus increased investigative attention on identifying and eliminating sources of terrorist funding within the Kingdom and around the world. The FBI and our counterparts in the Saudi Ministry of Interior have established a joint terrorism financing task force.

THE USA PATRIOT ACT AND OTHER LEGISLATION

Our efforts to combat terrorism have been greatly aided by the provisions of the PATRIOT Act. The success in preventing another catastrophic attack on the U.S. homeland would have been much more difficult, if not impossible, without the Act. It has already proved extraordinarily beneficial in the war on terrorism, and our opportunities to use it will only increase. Most importantly, the PATRIOT Act has produced greater collection and sharing of information within the law enforcement and intelligence communities.

Title III of the Act, also known as the International Money Laundering Anti-Terrorist Financing Act of 2001, has armed us with a number of new weapons in our efforts to identify and track the financial structure supporting terrorist groups. Past terrorist financing methods have included the use of informal systems for transferring value in a manner that is difficult to detect and trace. The effectiveness of such methods should be significantly eroded by the Act, which establishes stricter rules for correspondent bank accounts, requires securities brokers and dealers to file SARs, and certain money services to register with FinCEN and file SARS for a wider range of financial transactions.

There are other provisions of the Act that have considerably aided our efforts to address the terrorist threat including: strengthening the government's position in defending suits brought by those who provide material support; and the power to seize money subject to forfeiture in a foreign bank account by authorizing the seizure of a foreign bank's funds held in a U.S. correspondent account.

The FBI has utilized the legislative tools provided in the USA PATRIOT Act to further its terrorist financing investigations. Some examples of how the TFOS has used the provisions in the USA PATRIOT Act to obtain foreign bank account information by issuing subpoenas on those foreign bank's U.S. correspondent bank and to corroborate financial data obtained through criminal investigative techniques with intelligence sources. All of these techniques have significantly assisted ongoing terrorism investigations and would not have been possible, but for the enactment of the USA PATRIOT Act.

It is important for the Committee and the American people to know that the FBI is using the PATRIOT Act authorities in a responsible manner. We are making every effort to effectively balance our obligation to protect civil liberties with our obligation to protect Americans from terrorism.

TERRORIST FINANCING SUCCESSES

The FBI has achieved several recent and notable successes. These are the direct result of our ongoing efforts to cultivate more meaningful and productive international relationships, and increase emphasis on sharing relevant financial information domestically between law enforcement, government agencies, and private financial institutions. In concert with other U.S. Government agencies, the FBI has deployed advisers and trainers on numerous missions around the world to assist countries in the crafting of legislation to combat terrorist financing, further strengthen financial oversight controls, and encourage closer scrutiny of suspicious financial transactions.

On four separate occasions, the FBI has received financial information from a foreign government directly related to the funding of a pending terrorist attack. On these occasions the FBI was able to provide near real-time tracking of the funds and provide the foreign government with specific and identifiable information regarding the parties involved in the financial transactions - more explicitly the exact location and time the transactions occurred. Based on this critical information, the foreign government was able to locate members of terrorist cells and prevent them from executing their intended terrorist attacks.

In January 2003, German law enforcement authorities that had been working closely with the FBI arrested Mohammed Al Hassan Al-Moayad, a Yemeni national, on charges of conspiring to provide material support to Al Qaeda and Hamas. Al-Moayad was a significant financial contributor to Al Qaeda and Hamas and boasted that he provided over $20 million dollars to Usama bin Laden. Al-Moayad had participated in several fund-raising events at the Al-Farouq Mosque in Brooklyn, New York. Al-Moayad has been arrested and is awaiting extradition to New York from Germany.

In December 2002, a Federal grand jury in Dallas returned an indictment against a senior Hamas leader, Mousa Abu Marzouk, for conspiring to violate U.S. laws that prohibit dealing in terrorist funds. Also arrested and charged by the FBI were Ghassan Elashi, chairman of the Holy Land Foundation for Relief and Development (HLF). Elashi and four of his brothers, all of whom are employees of the Richardson, Texas, based InfoCom Corporation, were charged with selling computers and computer parts to Libya and Syria, both designated state sponsors of terrorism. The indictment alleged that the Elashi brothers disguised capital investment from Marzouk, a specially designated terrorist for his admitted leadership role with Hamas. The indictment and subsequent arrests have disrupted a U.S.-based business, which was conducting activities with a known Hamas leader, and international state sponsors of terrorism.

In support of other FBI Field Office cases, the TFOS provided intelligence and criminal financial investigative assistance through various mechanisms such as: a) financial analytical support; b) financial link analysis; c) field deployment of financial experts; and d) major case management support. This support aided investigators in a variety of cases such as:

- The FBI Joint Terrorism Task Force (JTTF) in Charlotte, N.C. utilized racketeering and terrorist financing statutes to disrupt, and then dismantle a Hizballah procurement and fund-raising network relying on interstate cigarette smuggling.
- The FBI, supported the Treasury's Office of Foreign Asset Control (OFAC), in blocking assets of U.S. offices for Holy Land Foundation for Relief and Development (HLF). This resulted in the closure of Hamas' largest fund-raising entity in the U.S. (The HLF has been linked to the funding of Hamas terrorist activities, and raised $13 million dollars of support in 2000).
- Joint FBI-OFAC cooperation shut down U.S. based offices of Benevolence International Foundation (BIF). Assets and records were blocked after it was determined that the charity was funneling money to Al Qaeda. In February 2003, Enaam Arnaout, the head 062

of BIF, pled guilty to racketeering conspiracy and fraud charges.
- The FBI, with cooperation from the U.S. Intelligence Community and a foreign government, apprehended a principle money launderer of Usama bin Laden's, responsible for funneling approximately tens of millions of dollars through international accounts to Al Qaeda and the Taliban.
- In February 2003, the FBI arrested Sami Al Arian, the alleged leader of U.S.-based Palestinian Islamic Jihad (PIJ), and three other members of his organization. They also closed several front companies suspected of providing material support to PIJ members in operations against Israel.

PARTICIPATION OF FINANCIAL INSTITUTIONS

Since the events of 9/11, private industry and particularly the financial services industry have made great efforts to assist law enforcement in the investigation of terrorism and terrorist financing related matters. Their corporate patriotism and desire to work more closely with government in protecting America is recognized and appreciated. They are literally on the "front lines" in the financial war on terrorism. Because it takes money to travel, communicate and carry out terrorist acts it is the bank teller, manager or broker that is more likely to interact with the next terrorist or terrorist financier, maybe even before law enforcement or the intelligence community does. For this reason, it is critical that the financial services industry receive the necessary training and awareness of the "Things to Look For" as it relates to terrorism and that they have a vehicle or mechanism to report their suspicions to the government in a timely and efficient manner. This is accomplished through the use and electronic filing of SARs. Conversely, the government needs to have a way to communicate these "Things to Look For" with the private sector as well as a mechanism to publish names of individuals, entities and/or organizations reasonably suspected of engaging in terrorist activity. Outreach and training combined with the utilization of USA PATRIOT ACT Section 314(a) facilitates the timely sharing of information between law enforcement and financial institutions. As mentioned earlier, the TFOS has sponsored and participated in a series of conferences and training forums with representatives from the financial services industry and regulators to educate them of the "Things To Look For" but more coordination and law enforcement outreach is needed.

PRODUCTION OF FINANCIAL RECORDS IN ELECTRONIC FORMAT

One of the biggest challenges facing law enforcement when it comes to financial records analysis is the unavailability of financial records in electronic format. In the past, it was common for investigators to request and financial institutions to provide copies of financial records such as statements, copies of checks or deposit slips in hard-copy (i.e., paper) form. The delays inherent to their production and forwarding to law enforcement was complicated by the fact that the records were not readily accessible by the financial institution and because they are often in paper form they are not readily searchable or retrievable. This is especially true when time is of the essence during emerging threat situations where access to and analysis of the records is critical. Some financial institutions have made great strides in converting and storing their transactional and customer records in electronic format. The credit card industry is a good example of this. Many banks and institutions even allow their customers to view and download their account transactional data via the internet into financial management programs. However, others because of the nature of their business or the costs involved do not digitally store or are not

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capable of producing records electronically.

Future law enforcement investigations would be significantly enhanced if financial institutions were to develop and adopt standards of best practices for the storage and production of financial records in electronic format. Countless hours and resources on the part of private industry and the government could be saved if these records were stored and produced in a format that eliminated the need for investigators to re-input or type the information back into financial analysis programs.

Currently when records are not available in a digital format, we utilize high-speed scanners to scan and copy the records. Text is thereby converted to Optical Character Recognition (OCR) searchable text. By "digitizing" the documents into scanned, searchable images they become immediately available to all with a need or interest in the records. Digitizing the records not only facilitates rapid dissemination of the documents but also provides for enhanced searching and analysis. Storage, retrieval and discovery production costs are also thereby reduced. Once the records are digital, then advanced searching tools may be applied against them to identify key information, patterns or trends.

However, as long as relevant records remain in paper form whether held by the financial institution or the government, investigators are impeded in their timely dissemination and analysis. This can have an impact on our preventative efforts.

In summary, the increased promotion of anti-terrorist financing training both domestically and internationally would go a long way towards furthering cooperation and raising awareness of patterns in terrorist financing. Efforts to interdict illegal money remitters which undermine our financial institutions and provide a potential avenue for illicit funds to be transferred should be pursued. Finally, the production of financial records in electronic format would facilitate not only sharing and analysis, but increase our ability to tactically respond to emerging threats.

CONCLUSION

Terrorism is a global problem. The solution is grounded in what we have experienced since 9/11 - unprecedented international cooperation and coordination. The threat terrorism poses must always be considered imminent. In addition to considerable financial investigative expertise, addressing terrorism and the finances that support and propagate it requires the ability to both implement proactive and preventive approaches to disrupt and dismantle as well as the ability to conduct highly reactive immediate response financial investigations to address potential imminent threats. As stated herein and in conjunction with more and more of the international community and other aspects of the U.S. Government, the FBI has made considerable progress toward achieving and implementing these abilities.

Again, I offer my gratitude and appreciation to you, Chairman Shelby, Senator Sarbanes, and the distinguished members of the Committee, for dedicating your time and effort to this issue and I would be happy to respond to any questions you may have.

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Privacy Policy | USA.gov | White House
FBI.gov is an official site of the U.S. Federal Government, U.S. Department of Justice.

EXHIBIT M

PRESS ROOM
U.S. DEPARTMENT OF THE TREASURY

FROM THE OFFICE OF PUBLIC AFFAIRS

June 16, 2004
JS-1729

Testimony of R. Richard Newcomb, Director
Office of Foreign Assets Control
U.S. Department of the Treasury
Before the House Financial Services Subcommittee on Oversight and Investigations

Introduction

Madame Chairman, members of the Committee, thank you for the opportunity to testify on the Office of Foreign Assets Control's efforts to combat terrorist support networks which forms an important part of the Treasury Department and our government's national security mission. It's a pleasure to be here, as we discuss Treasury's new office and its role in these areas. Please allow me to begin with an overview of our overall mission and conclude with our strategies for addressing the threat of international terrorism.

II. OFAC's Core Mission

The primary mission of the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury is to administer and enforce economic sanctions against targeted foreign countries, and groups and individuals, including terrorists and terrorist organizations and narcotic traffickers, which pose a threat to the national security, foreign policy or economy of the United States. OFAC acts under general Presidential wartime and national emergency powers, as well as specific legislation, to prohibit transactions and freeze (or "block") assets subject to U.S. jurisdiction. Economic sanctions are intended to deprive the target of the use of its assets and deny the target access to the U.S. financial system and the benefits of trade, transactions and services involving U.S. markets. These same authorities have also been used to protect assets within U.S. jurisdiction of countries subject to foreign occupation and to further important U.S. nonproliferation goals.

OFAC currently administers and enforces 27 economic sanctions programs pursuant to Presidential and Congressional mandates. These programs are a crucial element in preserving and advancing the foreign policy and national security objectives of the United States, and are usually taken in conjunction with diplomatic, law enforcement and occasionally military action.

OFAC's historical mission has been the administration of sanctions against target governments that engage in policies inimical to U.S. foreign policy and security interests, including regional destabilization, severe human rights abuses, and repression of democracy. Recent programs in the Western Balkans, Zimbabwe, Sudan, and other regions reflect that focus. Since 1995, the Executive Branch has increasingly used its statutory blocking powers to target international terrorist groups and narcotics traffickers.

Many "country-based" sanctions programs are part of the U.S. government's response to the threat posed by international terrorism. The Secretary of State has designated seven countries – Cuba, North Korea, Iran, Libya, Iraq, Sudan and Syria - as supporting international terrorism. Three of these countries are subject to comprehensive economic sanctions: Cuba, Iran, and Sudan (1997). 066
Comprehensive sanctions have been imposed in the past against Libya, Iraq, and

- Continued Actions against the Cali Cartel. Since 2002, OFAC/IPD has worked jointly with the U.S. Attorney's Office for Middle District of Florida and Operation PANAMA EXPRESS, a multi-agency drug task force based in Tampa, Florida. A two-year investigation by OFAC/IPD officers in conjunction with the PANAMA EXPRESS task force led to the March 2003 SDNT action against two new Cali Cartel leaders, Joaquin Mario Valencia Trujillo and Guillermo Valencia Trujillo, and their financial network of 56 front companies and individuals. Joaquin Mario Valencia Trujillo is indicted in the Middle District of Florida and was recently extradited to the U.S. from Colombia.

In 2003, OFAC/IPD investigations focused on Cali cartel leaders, Miguel and Gilberto Rodriguez Orejuela. In February 2003, OFAC/IPD designated 137 companies and individuals comprising a complex financial network in Colombia and Spain controlled by Miguel and Gilberto Rodriguez Orejuela. This action exposed and isolated a parallel network of Cali cartel front companies established to evade OFAC sanctions. In March 2003, OFAC/IPD officers targeted a Colombian money exchange business and a prominent Colombian stock brokerage firm, which facilitated the Cali cartel network's financial transactions. In October 2003, OFAC/IPD designated 134 new front companies and individuals including a network of pharmaceutical companies extending from Colombia to Costa Rica, Ecuador, Panama, Peru, and Venezuela, with ties to financial companies in the Bahamas, the British Virgin Islands and Spain. These SDNT actions were the result of a three-year investigation by OFAC/IPD officers and the OFAC Attaché – Bogota.

These actions under the SDNT and Kingpin Act programs reflect the increasing cooperation, coordination and integration among the U.S. counter-narcotics agencies in the battle against international narcotics trafficking and narco-terrorism. On March 3, 2004, the U.S. Attorney for the Southern District of New York issued a joint statement with the DEA New York field office and the OFAC Director announcing the indictment of two of Colombia's most important drug kingpins, Gilberto Rodriguez Orejuela and Miguel Angel Rodriguez Orejuela, leaders of the notorious Cali Cartel, under Operation DYNASTY, a joint investigation involving the U.S. Attorney's Office for the Southern District of New York, DEA, OFAC, and Colombian authorities. Both Cali cartel leaders were designated under EO 12978 as Colombian cartel leaders in October 1995. The indictment charges the Rodriguez Orejuela brothers with money laundering conspiracy based largely upon the predicate offense of violating the IEEPA as a result of the drug kingpins' efforts to defeat OFAC's designations of many of their companies as SDNTs.

OFAC's Counter-Terrorism Program

Foundations of Terrorist Financing and Support

The threat of terrorist support networks and financing is real, and it has been OFAC's mission to help identify and disrupt those networks.

There is much we know about how radical terrorist networks were established and still thrive. OFAC's research has disclosed the overall framework of the support structures that underpin the most prominent Islamic extremist movements throughout the world. "Deep pocket" donors in the Middle East provide money either to terrorist groups directly, or indirectly through trusted intermediaries and non-governmental organizations (NGOs), including charities. These NGOs can, in turn, use the money to provide funding and logistical services directly to terrorist groups, including transportation, cover employment, and travel documentation. They also provide support indirectly by using the funds for public works projects -- wells, social centers, and clinics – to reach disaffected populations susceptible to radicalizing influences. These projects also often include extremist religious schools, which serve as fertile recruiting grounds for new members of terrorist groups.

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The terrorist networks are well-entrenched and self-sustaining, though vulnerable to

U.S., allied and international efforts. Looking forward, please allow me to explain how we have arrived at this view and present the strategy, being implemented in coordination with other components of the Treasury Department and other Federal agencies including the Departments of Defense, State, Justice, Homeland Security, the FBI, IRS Criminal Investigation, the intelligence community and other agencies, to choke off the key nodes in the transnational terrorist support infrastructure.

Research and Evidentiary Preparation

The primary mission of officers within OFAC's Foreign Terrorist Programs Division is to compile the administrative record or "evidentiary" material that serves as the factual basis underlying a decision by OFAC to designate a specific person pursuant to EO 13224 or other counter-terrorism sanctions authorities that triggers a blocking of assets and a prohibition on US persons from dealing with the designated party. OFAC officers conduct "all-source" research that exploits a variety of classified and unclassified information sources in order to determine how the activities or relationships of a specific target meet the criteria of the EO. As the implementing and administrating agency for EO 13224 and other related programs, OFAC coordinates and works with other US agencies to identify, investigate and develop potential targets for designation or other appropriate USG actions. Officers use their considerable expertise to evaluate available information in the critical process of constructing a legally sufficient evidentiary record.

More broadly, OFAC officers compile research on multiple targets to build a comprehensive schematic of the structure of particular terrorist network. They then employ a "key nodes" methodology to identify these high value targets within them that serve critical functions. OFAC believes that by eliminating these key nodes or high value targets the network would be disabled because without them the network would not receive sustaining services such as recruitment; training; logistical, material, financial, or technological support; and leadership. OFAC selects specific targets to recommend for designation based on the potential to cripple or otherwise dramatically impair the operations of the overall network by economically isolating these nodes. Economic sanctions are most effective against key nodes such as donors; financiers (fundraisers, financial institutions, and other commercial enterprises); leaders; charities; and facilitators such as logisticians. OFAC already has targeted key nodes in terrorist networks in several areas of the world including groups in Southeast Asia and various parts of Africa. OFAC is currently engaged in new research on groups in the Middle East, including Iraq, and the Caucasus.

A completed OFAC evidentiary record on a particular target is submitted first for legal review, then to the Executive Office of Terrorist Finance and Financial Crimes, where OFAC officers work with that office to prepare the package for the Policy Coordinating Committee (PCC). The PCC determines whether the USG should designate a particular entity or should pursue alternative legal or diplomatic strategies in order to achieve U.S. interests. As part of the PCC process, OFAC's designation proposal will usually be vetted by the consultative parties specified by the EO.

In addition to the evidentiary package, OFAC and other Treasury officers work with the interagency community to draft an unclassified Statement of the Case (SOC) which serves as the factual basis for the public announcement of a designation. The State Department uses it to pre-consult with countries which are directly impacted by a proposed US action and to urge them to designate at the same time as the USG. Upon a USG determination to designate, the SOC is used to notify host countries and the UN of an impending US action. It is also used to propose the inclusion of the target on the consolidated list of the UN 1267 Sanctions Committee of those individuals or entities associated with al Qaida or the Taliban.

UN and Bilaterally Proposed Designations

Whenever an individual or entity is proposed for inclusion on the UN 1267 consolidated list by another country through the UN or is proposed to the USG bilaterally, OFAC, and when appropriate the Department of State, is responsible for preparing the administrative record. In order to designate a target proposed to the UN by a Member State or by another government bilaterally to the USG, OFAC (or

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EXHIBIT N

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

APR 23 2004

Lynne Bernabei
Bernabei & Katz, PLLC
1773 T Street, NW
Washington, D.C. 20009-7139

Re: Al Haramain Islamic Foundation, Inc.

Dear Ms. Bernabei:

Based on the enclosed unclassified information and on classified documents that are not authorized for public disclosure, including disclosure to you or your client, the al Haramain Foundation, the Office of Foreign Assets Control ("OFAC") is considering designating the Al Haramain Foundation branch office in Oregon ("AHF") as a Specially Designated Global Terrorist pursuant to Executive Order 13224 and the International Emergency Economic Powers Act, 50 U.S.C. § 1701 *et seq*. Material covered by privilege as well as private information about government employees was redacted. If OFAC considers any additional unclassified material, it will forward that information to you for your review. Any material that AHF may wish to submit to OFAC in response to this letter must be received within 21 days of the date of this letter, to allow the agency an opportunity to evaluate that information prior to making the designation determination.

The response to this notice should be directed to R. Richard Newcomb, Director, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, N.W., Annex, Washington, D.C. 20220. A copy of your response also should be provided to Ms. Cari Stinebower in Chief Counsel's Office (Foreign Assets Control). If you have any questions, please contact Cari Stinebower at (202) 622-2410.

Sincerely,

R. Richard Newcomb
Director
Office of Foreign Assets Control

Enclosures

cc: Andrea Gacki

PUBLIC-AR 2005

EXHIBIT O

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

JUL 26 2004

FAC No. SDG 229662

JUL 23 2004

Lynne Bernabei
Bernabei & Katz, PLLC
1773 T Street, NW
Washington, D.C. 20009-7139

Re: Al Haramain Islamic Foundation, Inc.

Dear Ms. Bernabei:

As a follow-up to my April 23, 2004 letter to you, I am informing you that the Office of Foreign Assets Control (OFAC) is considering (1) the attached additional unclassified material, (2) the material provided to you on April 23 or referenced in the April 23 letter, (3) additional classified information not being provided to you, (4) correspondence between OFAC and al Haramain Islamic Foundation, Inc. ("AHF"), and (5) material you have provided for inclusion in the record, in determining whether to designate AHF, as a Specially Designated Global Terrorist pursuant to Executive Order 13224 and the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06. All of the information described in the April 23 letter and in this letter, any material that AHF submits to OFAC in response, and all correspondence between OFAC and AHF will constitute the administrative record upon which OFAC will make its designation determination. Any material that AHF may wish to submit to OFAC in response to this letter must be received within 7 days of the date of this letter, to allow the agency an opportunity to evaluate that information prior to making the designation determination.

The response to this notice should be directed to R. Richard Newcomb, Director, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, N.W., Annex, Washington, D.C. 20220. A copy of your response also should be provided to Ms. Cari Stinebower in Chief Counsel's Office (Foreign Assets Control). If you have any questions, please contact Cari Stinebower at (202) 622-2410.

Sincerely,

R. Richard Newcomb
Director
Office of Foreign Assets Control

Enclosures

PUBLIC-AR 2014

EXHIBIT P

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

September 9, 2004
JS-1895

U.S.-Based Branch of Al Haramain Foundation Linked to Terror
Treasury Designates U.S. Branch, Director

The Treasury Department announced today the designation of the U.S. branch of the Saudi Arabia-based Al Haramain Islamic Foundation (AHF), along with one of its directors, Suliman Al-Buthe. In addition, the AHF branch located in the Union of the Comoros was also designated today.

"We continue to use all relevant powers of the U.S. government to pursue and identify the channels of terrorist financing, such as corrupted charities, at home and abroad. Al Haramain has been used around the world to underwrite terror, therefore we have taken this action to excommunicate these two branches and Suliman Al-Buthe from the worldwide financial community," said Stuart Levey, Treasury's Under Secretary for Terrorism and Financial Intelligence.

The assets of the U.S. AHF branch, which is headquartered in Oregon, were blocked pending investigation on February 19, 2004. On the previous day, a federal search warrant was executed against all property purchased on behalf of the U.S. AHF branch. The investigation involved agents from the Internal Revenue Service – Criminal Investigations (IRS-CI), the Federal Bureau of Investigation (FBI) and the Department of Homeland Security's Immigration and Customs Enforcement (ICE).

The U.S.-based branch of AHF was formally established in 1997. Documents naming Al-Buthe as the organization's attorney and providing him with broad legal authority were signed by Aqeel Abdul Aziz Al-Aqil, the former director of AFH. Aqil has been designated by the United States and the UN 1267 Sanctions Committee because of AHF's support for al Qaida while under his oversight.

The investigation shows direct links between the U.S. branch and Usama bin Laden. In addition, the affidavit alleges the U.S. branch of AHF criminally violated tax laws and engaged in other money laundering offenses. Information shows that individuals associated with the branch tried to conceal the movement of funds intended for Chechnya by omitting them from tax returns and mischaracterizing their use, which they claimed was for the purchase of a prayer house in Springfield, Missouri.

Other information available to the U.S. shows that funds that were donated to AHF with the intention of supporting Chechen refugees were diverted to support mujahideen, as well as Chechen leaders affiliated with the al Qaida network.

AHF has operations throughout the Union of the Comoros, and information shows that two associates of AHF Comoros are linked to al Qaida. According to the transcript from U.S. v. Bin Laden, the Union of the Comoros was used as a staging area and exfiltration route for the perpetrators of the 1998 bombings of the U S. embassies in Kenya and Tanzania. The AHF branches in Kenya and Tanzania have been previously designated for providing financial and other operational support to these terrorist attacks.

Since March 2002, the United States and Saudi Arabia have jointly designated eleven branches of AHF based on evidence of financial, material and/or logistical support to the al Qaida network and affiliated organizations. These branches, Afghanistan, Albania, Bangladesh, Bosnia, Ethiopia, Indonesia, Kenya, the Netherlands, Pakistan, Somalia, and Tanzania, along with the former director of AHF, Aqeel Abdul Aziz Al-Aqil, are named on the UN's 1267 Committee's consolidated list of terrorists associated with al Qaida, Usama bin Laden and the Taliban and are subject to international sanctions.

The entities were designated today pursuant to Executive Order 13224 pursuant to paragraphs (d)(i) and (d)(ii) based on a determination that they assist in, sponsor or provide financial, material, or technological support for, or financial or other services to or in support of, or are otherwise associated with, persons listed as subject to E.O. 13224. These entities also meet the standard for inclusion in the UN 1267 Sanctions Committee's consolidated list because of the support provided to UBL, al Qaida or the Taliban.

Inclusion on the 1267 Committee's list triggers international obligations on all member countries, requiring them to freeze the assets of these offices. Publicly identifying these supporters of terrorism is a critical part of the international campaign to counter terrorism. Additionally, other organizations and individuals are put on notice that they are prohibited from doing business with them.

Blocking actions are critical to combating the financing of terrorism. When an action is put into place, any assets existing in the formal financial system at the time of the order are to be frozen. Blocking actions serve additional functions as well, acting as a deterrent for non-designated parties who might otherwise be willing to finance terrorist activity; exposing terrorist financing "money trails" that may generate leads to previously unknown terrorist cells and financiers, disrupting terrorist financing networks by encouraging designated terrorist supporters to disassociate themselves from terrorist activity and renounce their affiliation with terrorist groups; terminating terrorist cash flows by shutting down the pipelines used to move terrorist-related assets; forcing terrorists to use alternative, more costly and higher-risk means of financing their activities; and engendering international cooperation and compliance with obligations under UN Security Council Resolutions.

The United States has designated 387 individuals and entities as terrorists, their financiers or facilitators. In addition, the global community has frozen over $142 million in terrorist-related assets.

Al Haramain Islamic Foundation – United States

1257 Siskiyou Blvd.
Ashland, Oregon 97520

3800 Highway 99 S
Ashland, Oregon 97520

2151 E. Division Street
Springfield, MO 65803

Al Haramain Islamic Foundation – Union of the Comoros

B/P: 1652 Moroni
Union of the Comoros

Suliman Al-Buthe
DOB: 12/08/1961
POB: Egypt
Nationality: Saudi Arabian
Passport No: B049614

For more information on the February 19, 2004 designation of the U.S.-based AHF branch, please visit: http://www treasury.gov/press/releases/js1183 htm.

Note: In June of 2004, the Saudi government announced it was dissolving AHF and other Saudi charities and committees operating aboard and folding their assets into a newly created entity, the Saudi National Commission for Relief and Charity Work Abroad. According to the Saudi Embassy, the Commission, which will be a non-governmental body, will take over all aspects of private overseas aid operations and assume responsibility for the distribution of private charitable donations from Saudi Arabia.

EXHIBIT Q

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

AL-HARAMAIN ISLAMIC FOUNDATION, INC., et al. Plaintiffs, v. GEORGE W. BUSH, et al. Defendants.	Case No: 3:06-cv-00274-KI

SUPPLEMENTAL DECLARATION OF FRANCES R. HOURIHAN

I, Frances R. Hourihan, declare as follows:

(1) I am a special agent with the Federal Bureau of Investigation ("FBI") assigned to the FBI Washington Field Office, Washington, D.C. I have been a special agent with the FBI since July 1998. This declaration supplements my April 11, 2006 declaration previously submitted in this matter and is intended to provide additional detail about the FBI's investigation concerning the classified document that was inadvertently disclosed by a government employee without proper authorization.

(2) The statements contained in this declaration are based upon my personal knowledge, upon information provided to me in my official capacity, and upon conclusions and determinations reached and made in accordance therewith.

(3) In late August 2004, FBI headquarters received notification that a government document containing classified information had been improperly disclosed to a private party without authorization. ~~On~~ August 31, 2004, after receipt of that notification, the ~~FBI Washington Field Office~~ initiated an investigation to determine the nature and circumstances of the unauthorized disclosure to private counsel for the Al-Haramain Islamic Foundation in Oregon, in connection with that group being designated as "Specially Designated Global Terrorist" pursuant to the

International Emergency Economic Powers Act ("IEEPA"), 50 U.S.C. § 1701-1706, and Exec. Order No. 13,224.

(4) Based on information developed in the investigation, the FBI determined that the disclosure of the classified government document occurred on or about August 20, 2004, and was unauthorized and inadvertent. During the investigation, it was determined that an employee of the Office of Foreign Assets Control ("OFAC"), a Department of Treasury component, inadvertently included the classified government document in a group of unclassified documents that the government employee had assembled and subsequently produced to private counsel in connection with the Treasury designation of the Al-Haramain Islamic Foundation.

(5) Prior to the inadvertent disclosure, this classified information had been properly maintained in a secure facility at the Department of Treasury. The FBI investigation showed that the assigned workspace of the government employee who disclosed the classified information, as well as the secure storage for the classified document, were both located within an approved Sensitive Compartmented Information Facility (SCIF) maintained by the Department of Treasury. The investigation also showed that the government employee assembled and copied the unclassified documents intended for disclosure while working within the secure SCIF space. During the unclassified document assembly process and while within the SCIF, the classified document, which was related to the terrorist designation, was inadvertently copied by the government employee and inadvertently included with the unclassified OFAC materials that were collected for disclosure to private counsel. The FBI investigation therefore determined that the original classified government document remained stored within the SCIF maintained by the Department of Treasury.

(6) In early October 2004, after approximately six weeks of a non-public national security investigation, the FBI made the determination that the unauthorized disclosure was inadvertent and not the result of a knowing or intentional unauthorized disclosure. Because the first weeks of this investigation were devoted to discovering the source and motivation, if any, for the disclosure, the FBI's investigation was necessarily non-public. This initial, non-public FBI national security investigation was necessary for several reasons including, but not limited to, the

investigative need to: determine the facts and circumstances relating to this unauthorized disclosure without alerting potential subject(s), known or unknown, to the existence or scope of the investigation which would provide the opportunity to destroy, conceal or alter evidence; identify the full scope of the unauthorized disclosure; assess whether the unauthorized disclosure was an isolated event or an indication of a broader intentional compromise; conduct a security risk assessment of the involved government employees; and make the investigative determination whether the unauthorized disclosure was or was not an intentional or knowing unauthorized disclosure of classified information to a Specially Designated Global Terrorist with the intent to harm the national security of the United States. The FBI could not make efforts to retrieve the classified document during this stage because its investigation would have been thereby publicized, undermining law enforcement and investigative efforts.

(7) At the conclusion of the non-public aspect of the national security investigation, FBI personnel with appropriate government security clearances were able to begin the process of retrieving copies of the classified government document from persons not authorized to have possession of the classified document. As noted in my previous declaration, several people who were identified as having unauthorized access to the government document were interviewed by the FBI. See Decl. of Frances R. Hourihan ¶¶ 5-7 (Apr. 11, 2006). Each person interviewed was asked to return all copies of the classified document; asked to identify the location of any copies of the document not in their possession; and advised that they should not further review, disclose, discuss, retain and/or disseminate the classified document or the classified information contained in the document. During this phase of the investigation the following individuals were among those interviewed: Lynne Bernabei was interviewed on October 07, 2004; Wendell Belew was interviewed on October 14, 2004; and Asim Ghafoor was interviewed on October 13, 2004, November 01, 2004, and November 03, 2004. Finally, the copies of the classified document retrieved by FBI personnel were transported by FBI special agents with appropriate government security clearances to a secure and limited access FBI facility that is approved for the storage of classified government materials.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed this 10th day of May, 2006.

Frances R. Hourihan
Special Agent
Federal Bureau of Investigation
Washington, D.C.

EXHIBIT R

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Lynne Bernabei, Esq.
The Bernabei Law Firm, PLLC
1775 T Street, NW
Washington, DC 20009-7124

VIA FACSIMILE

Thomas Nelson, Esq.
Box 1211
24525 E. Welches Rd.
Welches, OR 97067

FEB 06 2008

Re: Al Haramain Islamic Foundation, Inc.-Oregon and Soliman al-Buthe

Dear Ms. Bernabei and Mr. Nelson:

I write in response to Ms. Bernabei's letter of January 4, 2008, and in furtherance of our letter to you of November 14, 2007, which provided notice that OFAC was considering redesignating Al Haramain Islamic Foundation, Inc.-Oregon ("AHIF-Oregon") and Soliman al-Buthe. As set forth below, after a thorough investigation and review of the evidence in the record regarding AHIF-Oregon and Mr. al-Buthe, OFAC has determined that AHIF-Oregon and Mr. al-Buthe continue to meet the criteria for designation under Executive Order 13224 ("Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism") ("E.O. 13224") and, based on an updated and revised Administrative Record, including submissions by your clients, they are hereby redesignated. Accordingly, AHIF-Oregon's and Mr. al-Buthe's pending requests for delisting are denied. Separately, please see the last section of this letter for an update concerning OFAC policy on the use of blocked funds for the payment of legal expenses.

Redesignation

In reaching the decision to redesignate, OFAC has considered the following: (1) all communications between OFAC and your offices or other counsel on behalf of AHIF-Oregon and Mr. al-Buthe, including submissions made both prior to and following the original designation in September 2004; (2) a revised version of the initial designation memorandum and supporting exhibits; and (3) additional unclassified, privileged, and classified information. As you have requested, all of the submissions you have made on behalf of AHIF-Oregon and Mr. al-Buthe have been incorporated into the Administrative Record. The additional unclassified material OFAC has obtained and reviewed in response to AHIF-Oregon's petition for reconsideration (in addition to the unclassified material upon which the original designation was based) has been provided to you previously and will also be available to you in the course of the litigation associated with this matter.

Your arguments related to why AHIF-Oregon should not be designated pursuant to E.O. 13224 primarily consist of the following:

- AHIF-Oregon was an independent organization that was involved exclusively in charitable activities and was not involved in the support of terrorism, Specially Designated Global Terrorists, or other alleged supporters of terrorism;
- AHIF-Oregon funds transferred to AHIF in Saudi Arabia for use in Chechnya were not used to support terrorism, but rather in support of AHIF/Saudi Joint Relief Committee activities in Chechnya that were approved of by the Russian Government;
- AHIF-Oregon's distribution of Islamic literature was constitutionally protected activity and not an appropriate basis for designation.

After considering your arguments and submissions, and reviewing the whole Administrative Record, I have determined that the Administrative Record compiled by OFAC provides reason to believe that AHIF-Oregon meets the criteria for designation pursuant to E.O. 13224 on the following bases: (1) being owned or controlled by SDGTs Aqeel al-Aqil and al-Buthe, (2) acting for or on behalf of SDGTs al-Aqil and al-Buthe, and (3) supporting and operating as a branch office of AHIF, an international charity that employed its branch offices to provide financial, material, and other services and support to al Qaida and other SDGTs.[1] Among the information relating to AHIF-Oregon supporting the redesignation is the fact that two of the founding directors of AHIF-Oregon were -- and remain — Specially Designated Global Terrorists, namely Mr. al-Buthe, who was the Treasurer of AHIF-Oregon, and Mr. al-Aqil, who was the founding President of both AHIF-Oregon[2] and AHIF in Saudi Arabia. Both classified and unclassified reporting indicates that the AHIF parent organization in Saudi Arabia, and in particular Mr. al-Aqil himself, maintained strong and direct control over activities of the branches. Mr. al-Aqil himself confirmed in a 2002 interview that the AHIF parent organization in Saudi Arabia maintained "tight control" over its branches.

Substantial classified and limited unclassified reporting, including the Staff Report to the National Commission on Terrorist Attacks Upon the United States: Monograph on Terrorist Financing that Ms. Bernabei provided to OFAC in 2004 for consideration, reveals the extent and nature of AHIF's longstanding and significant support, through its international branches, of SDGTs and terrorist activity around the world, including al Qaeda and the mujahideen in Chechnya, and dating back as far as the 1998 bombings of the U.S. Embassies in Kenya and Tanzania. AHIF-Oregon was an

[1] AHIF-Oregon's distribution of Islamic literature is not a basis upon which AHIF-Oregon has been redesignated, nor was it a basis for the designation in September 2004.

[2] As set forth in Ms. Bernabei's correspondence of August 4, 2004, Mr. al-Aqil and another senior al Haramain official, Mansur al-Kadi, purportedly submitted formal resignations from the AHIF-Oregon board in 2003. Nevertheless, classified and unclassified information indicates that Mr. al-Aqil retained effective control over the activities of all branches until his departure from AHIF in 2004, and according to some reports, even following his purported departure from the parent organization.

active arm of this worldwide organization, and its operations, including its direct provision of funding to AHIF in Saudi Arabia,[3] enabled the global AHIF to continue supporting terrorist activities. Finally, your arguments regarding AHIF activities in Chechnya were considered, but rejected in light of the classified and unclassified administrative record.

Additional Issues Raised by AHIF-Oregon

I would also like to respond to several concerns raised in Ms. Bernabei's January 4, 2008 letter.[4] First, Ms. Bernabei indicates that there is no basis in E.O. 13224 or the applicable regulations for a redesignation. A redesignation is, in essence, a process whereby OFAC updates and supersedes its original designation on the basis of a revised administrative record. OFAC undertakes the redesignation process pursuant to the same standards as apply to any designation action under E.O. 13224. Specifically, OFAC analyzed the applicability of designation criteria set forth in section 1 of the E.O. based on all information currently available to it. OFAC also provided AHIF-Oregon notice of the pending determination and allowed AHIF-Oregon to provide any additional information it wished OFAC to consider. In the end, this redesignation has provided more process for the benefit of AHIF-Oregon than would have been provided were OFAC simply to have amended the original designation record administratively, which, as Ms. Bernabei points out, the OFAC regulations provide for.

In sum, we are confident that the redesignation process — particularly when considered in light of the extent of materials provided to you by OFAC during the original designation process, as well as the willingness of OFAC to accept numerous submissions from AHIF-Oregon for consideration and incorporation into the administrative record — has provided AHIF-Oregon with a constitutionally sound level of due process, as several courts have found in analogous circumstances. *See Holy Land Found. v. Ashcroft*, 219 F. Supp. 2d 57, 77 (D.D.C. 2002), *aff'd* 333 F.3d 156, 163 (D.C. Cir. 2003); *Islamic American Relief Agency v. Unidentified FBI Agents*, 394 F. Supp. 2d 34, 49 (D.D.C. 2005), *aff'd in part and remanded*, 477 F.3d 728 (D.C. Cir. 2007); *Global Relief Found., Inc. v. O'Neill*, 207 F. Supp. 2d 779, 804 (N.D. Ill. 2002), *aff'd*, 315 F.3d 748 (7th Cir. 2002). Of particular note, the Holy Land Foundation raised claims nearly identical to those in Ms. Bernabei's letter when it challenged OFAC's redesignation. The court rejected these arguments and upheld the redesignation. *See Holy Land Found.*, 219 F. Supp. 2d at 76, n.29.

Second, the January 4 letter also raises concerns about the unclassified, non-privileged materials provided to you. Specifically Ms. Bernabei asserts that not every exhibit pertains to AHIF-Oregon or AHIF in Saudi Arabia. OFAC is entitled to consider the full panoply of relevant information available to it, and all the information provided to you either relates directly to AHIF-Oregon or AHIF or provides context for such other information. *Cf. Holy Land Found.*, 333 F.3d at 162 ("it is clear that the government may decide to designate an entity based on a broad range of evidence, including intelligence data and hearsay declarations"). Moreover, OFAC is aware of the concerns presented by any media reporting, foreign and domestic, and considers the reliability of such reporting when relying upon such information.

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[3] Both Ms. Bernabei's correspondence of September 21, 2005, and the Complaint filed challenging AHIF-Oregon's designation, admit such direct funding of AHIF in Saudi Arabia. *See. e.g.*, Compl. ¶ 63.

[4] As this matter is currently in litigation, this letter only touches upon several of the matters raised in the January 4 correspondence. OFAC reserves the right to provide responses in the litigation to any arguments raised by AHIF-Oregon in the litigation.

In many cases, the media reporting provided to AHIF-Oregon has been used in conjunction with classified materials. OFAC's use of classified information is provided for by statute and has been upheld by numerous courts. *See* 50 U.S.C. § 1702(c); *Global Relief Found. v. O'Neill*, 207 F. Supp. 2d 779, 791 (N.D. Ill.), *aff'd*, 315 F.3d 748, 754 (7^{th} Cir. 2002); *Islamic American Relief Agency v. Gonzales*, 394 F. Supp. 2d 34, 45 (D.D.C. 2005), *aff'd* 477 F.3d 728 (D.C. Cir. 2007); *Holy Land Found. v. Ashcroft*, 333 F.3d 156, 162 (D.C. Cir. 2003).

Third, OFAC and the Department of Justice requested that each agency that provided classified information used by OFAC in the redesignation process review that information to determine whether it remained appropriately classified. After several months of close coordination with multiple agencies, OFAC has been informed that, as of the date of this letter, all classified material used in the final Administrative Record remains properly classified.

In sum, as stated above, AHIF-Oregon and Mr. al-Buthe are thus redesignated, and all pending requests for delisting are hereby denied. This constitutes final agency action on this matter. A copy of the unclassified version of the evidentiary memorandum will follow shortly under separate cover.

Use of Blocked Funds for Legal Expenses

Regarding the use of blocked funds for payment of legal expenses, OFAC has recently adopted a policy to authorize the release of a limited amount of blocked funds for the payment of legal fees and costs under certain circumstances. Specifically, the policy would allow a limited amount of blocked funds to be released for the payment of legal fees and certain costs incurred in seeking administrative reconsideration or judicial review of the designation of a U.S. person pursuant to the Global Terrorism Sanctions Regulations, 31 C.F.R. Part 594. Accordingly, the policy would potentially apply to your representation of AHIF-Oregon.

In order to complete the processing of your license request(s) pursuant to this policy, OFAC requests the following information:

- The hourly rate and number of hours billed per attorney for legal services directly related to the request for administrative reconsideration of the designation and the legal challenge thereto, divided by each phase of the case (i.e., administrative filings to OFAC and proceedings at the district court);

PUBLIC-AR 2200

- An itemized statement and description of costs incurred in seeking administrative reconsideration or judicial review of AHIF-Oregon's designation;
- A certification, signed under penalty of perjury, that AHIF-Oregon has no assets, property, or economic resources of any type outside the United States, and does not have access to any AHIF funds worldwide; and
- A certification that to the best of your knowledge the blocked funds do not represent the property interest of another or serve as security for other obligations of AHIF-Oregon.

OFAC will evaluate your request(s) for the release of blocked funds for payment of attorney fees and costs incurred in seeking administrative reconsideration and judicial review of AHIF-Oregon's designation pursuant to the policy upon receipt of the information requested.

Sincerely,

Adam J. Szubin
Director
Office of Foreign Assets Control

PUBLIC-AR 2201

086

EXHIBIT S

Contact Us
- Your Local FBI Office
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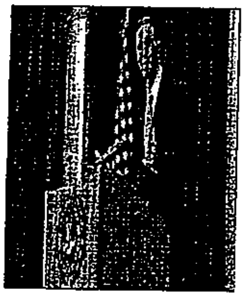

John S. Pistole
Deputy Director
Federal Bureau of Investigation

American Bankers Association/American Ba
Association Money Laundering Enforcement
Conference
Washington, D.C.

October 22, 2007

Note: The Deputy Director may deviate from prepared remarks

Good morning. It's an honor to be here today to talk about terrorist financing and how it affe law enforcement business and the banking business.

Today I want to give you an overview of terrorist financing and walk you through the FBI's pr conducting terrorist financing investigations. And finally, I'd like to talk about how important a are to the FBI's counterterrorism mission.

* * *

Money is the lifeblood of terrorism. Without it, terrorists cannot train, plan, communicate, bu equipment, or execute their attacks. But with it, they can do immeasurable damage. And so always looking for ways to fly below the radar, hoping to stay unnoticed and unsuspected wh turn their plans into a reality.

We learned this lesson the hard way on September 11, 2001. The 9/11 hijackers wanted to unnoticed, and their financial transactions did fly below our radars. It wasn't until after the at when we began backtracking through their finances—that red flags went up.

We discovered that the hijackers used the formal banking system freely and even shared ac accounts. We were able to track their everyday purchases at places like Wal-Mart and their throughout the country. Things that might not have registered before suddenly took on enom significance. For example, they had no Social Security numbers. They moved their money i relatively small, non-suspicious amounts, using mainly wire transfers and credit and debit ca transactions and some cash transactions.

But they didn't engage in any complex financial tradecraft to conceal their activities. Instead, looked for weaknesses they could exploit. For instance, they sent structured wire transfers f institutions that had no software or program in place to detect them. One financier simply us alias to wire money, because he knew the sending bank didn't have a robust "Know Your Cu program.

Our financial investigation conclusively linked the hijackers together. But it is not enough to financial autopsy after an attack. It became clear that the law enforcement and intelligence

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* * *

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We discovered that the hijackers used the formal banking system freely and even shared access to accounts. We were able to track their everyday purchases at places like Wal-Mart and their travels throughout the country. Things that might not have registered before suddenly took on enormous significance. For example, they had no Social Security numbers. They moved their money in relatively small, non-suspicious amounts, using mainly wire transfers and credit and debit card transactions and some cash transactions.

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Our financial investigation conclusively linked the hijackers together. But it is not enough to conduct a financial autopsy after an attack. It became clear that the law enforcement and intelligence communities needed to find early opportunities to identify and to disrupt terrorist networks. The best way to do that is to scrutinize finances.

When terrorists raise, store, move, and spend money, they leave trails. They are complex—but they are traceable and identifiable through global financial systems.

The financial analysis of the September 11 hijackers gave us a better idea of what to look for. It helped us establish new intelligence requirements and set up new tripwires. We established a specialized section in our Counterterrorism Division called the Terrorism Financing Operations Section, or TFOS.

The mission of our agents and analysts in TFOS is to trace transactions and track patterns. This painstaking work helps us identify, disrupt, and prosecute terrorists, their associates, their leaders, and their assets.

* * *

Let me give you a sense of how we conduct terrorist financing investigations and what we're looking for. But just a quick reminder that predication is the key to every investigation we undertake. We are not out looking at everyone's finances for no reason. In fact, when it comes to terrorist financing, it is often you who provide the predication for our investigations.

First and foremost, we're looking for basic personal information—addresses, birthdates, phone numbers, and employment. These help us understand day-to-day expenses and spending habits. This information then helps us uncover travel patterns, other accounts, important transactions, and financial histories. And these in turn may lead us to previously unknown business or personal associations, including other members of a network. They may also lead us to discovering criminal activity, such as IRS violations or money laundering.

In short, the most basic financial investigative techniques can result in a gold mine of intelligence.

But we don't want to do a financial autopsy after an attack has occurred. Instead we want to conduct proactive investigations—and we are.

For example, we investigate charities or non-governmental organizations that are used to generate and move money around the world. Some of them fraudulently obtain charitable donations and then divert them to support terrorism.

This was the case with the Benevolence International Foundation in Chicago. It claimed to provide relief to widows and orphans—and it did in fact use some of its funds to provide humanitarian assistance. But the organization was actually a front for al Qaeda. The Executive Director pled guilty to racketeering conspiracy and is now serving 11 years in federal prison.

We also investigate traditional criminal activity that might be used to support terrorism. Because of the crackdown on terrorists and their supporters, terrorists are not necessarily getting stipends from al Qaeda. Instead, they are raising it themselves, often through garden-variety crimes.

For example, the Madrid bombers sold drugs and pirated CDs. A group in North Carolina smuggled cigarettes and used the profits to fund Hezbollah in Lebanon. And in Torrance, California, members of a terrorist cell robbed gas stations so they could buy weapons and plan attacks against Jewish targets and U.S. military installations in Los Angeles. And so we must always be looking for links among traditional crimes and terrorist activities.

Another type of case is one in which we investigate facilitators—the people who move the money, whether witting or unwitting. In addition to using the traditional banking system, terrorists and their supporters also take advantage of unregistered Money Service Businesses and hawalas. These appeal to terrorists and their supporters for obvious reasons. One does not need to be an existing customer to use them.

Hawalas are informal remittance systems that operate primarily within ethnic communities. They can be operated from any location with a phone and Internet hookup, whether it is a gas station or a private home. They don't operate by any of the rules of the financial sector. There is no one to regulate anything. Hawalas are based on trust and offer near-anonymity for those who are trying to avoid scrutiny. In one case, we investigated a hawala that had sent approximately $4 million to over 20 different customers in foreign countries.

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The 9/11 hijackers proved that terrorists and their supporters are always looking for chinks in the armor of our financial systems. We've made tremendous progress in the past six years in making it much harder for them to raise and move money. A big part of this is thanks to you.
Just like criminals and their money launderers, terrorists and their support networks rely on secrecy to conduct their business. If their activities can be monitored and flagged, they can potentially be stopped. We in the FBI can't do our jobs without the help and cooperation of the banking industry.

You are the gatekeepers of information about terrorists' financial activity. Your compliance with reporting requirements, subpoenas, and other requests for information are absolutely vital to our efforts.

The stronger our systems are, and the closer our coordination is, the better our chances at detecting and stopping terrorists before they can act.

Records produced and maintained pursuant to the Bank Secrecy Act are especially vital weapons in our arsenal—particularly Suspicious Activity Reports and Currency Transaction Reports. Every single one of our terrorism investigations has a financial sub-file—and one of the first things on our checklist is to query FinCEN for BSA reports that match the subject. You would be amazed at how much valuable intelligence they produce—especially SARs and CTRs.

As we have seen since the September 11th attacks, terrorists don't necessarily need huge sums of money to plan and carry out an attack. In a sample of FBI cases, about 42 percent of subjects had BSA reports filed. About 50 percent of those reports reflected transactions of $20,000 or less. This produces a vast amount of financial intelligence.

SARs highlight suspicious behavior and point us to indicators of potential criminal activity—such as structuring and other forms of money laundering. They may be the only hook we have to detect a terrorist cell.

CTRs help fill out the financial intelligence picture because of the objective criteria for filing them. Rather than a subjective analysis of financial behavior, they document specific transactions and patterns of activity that may be the crucial piece of evidence to a case.

CTRs actually provide financial intelligence on more subjects than SARs reporting alone. One tool is not a substitute for the other. SARs and CTRs work in concert together—and together, they are a powerful weapon. Obviously, they provide information about specific transactions. But they provide a much bigger picture than just isolated transactions. They fill in biographical or geographical information—which might let us prove where a suspect was on a particular day. They help us develop leads to expand our investigations. They can link people and accounts conclusively together—connections we might not otherwise see.

Let me give you an example. Some of you may have heard of the Al Haramain Islamic Foundation. It was a charity based in Saudi Arabia, with branches all over the world. Its U.S. branch was established in Oregon in 1997 and in 1999, it registered as a 501(c)(3) charity.

In 2000, the FBI discovered possible connections between Al Haramain and al Qaeda and began an investigation. We started where we often start—by following the money. And we uncovered criminal tax and money laundering violations.

Al Haramain claimed that money was intended to purchase a house of prayer in Missouri—but in reality, the money was sent to Chechnya to support al Qaeda fighters.

In 2004, the Treasury Department announced the designation of the U.S. branch of Al Haramain, as well as two of its leaders, and several other branch offices. In 2005, a federal grand jury indicted Al Haramain and two of its officers on charges of conspiring to defraud the U.S. government.

We relied on BSA information and cooperation with financial institutions for both the predication and fulfillment of the investigation. Because of reporting requirements carried out by banks, we were able to pursue leads and find rock-solid evidence.

Yes, we used other investigative tools—like records checks, surveillance, and interviews of various subjects. But it was the financial evidence that provided justification for the initial designation and then the criminal charges.

That's why your cooperation is so vital—and that of the Treasury Department as well. As in the case I just discussed, together we have frozen the assets of at least 440 suspected and known terrorists or terrorist organizations. We couldn't have done this without the diligence and dedication of the financial institutions that carry out these designations. It is difficult to measure success in convictions of terrorist financiers because of the variety of violations we may use to charge suspects. But it is safe to say that any convictions we achieve absolutely depend on banking information.

So when your bank's officers are conducting reportable transactions, there are some things they can do to help us glean even more information right off the bat. Let me just run through a few:

- You can complete each applicable field.
- You can verify personal identifiers, where possible, and even complete the "description" narrative. When you fill out the "who, what, when, where, why, and how" on the front end, this saves us all time on the back end, because we don't have to come back to you with subpoenas, looking for specific information.
- You can check all the violation types that apply and avoid checking the "other" box.
- Finally, you can file the reports electronically, which will save all of us time.
- And if a customer strikes you as especially suspicious, call us in addition to filing a SAR.

Believe me, we know that this creates a lot of work for you. We also know you don't necessarily see an obvious return on your investment. But these reports do help us. They often become the cornerstones of our cases. Concrete connections are made by things as innocuous as learning the name of an account's co-signer. The more information we have, the more we have to go on. When we can follow the money, we stand a much better chance of breaking a case wide open.

All of this requires tremendous effort from us all—from your employees and from the FBI's employees. But this cooperation does more than just help us find terrorists and bring them to justice. It helps us all protect the integrity of financial institutions.

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Before I conclude, I want to take a moment to talk about another area of risk, and another way that collaboration can help reduce that risk—and that is in the cyber arena.

We know that terrorists want to wreak havoc on our society, whether by outright attacks on our lives or attacks on our economy. One way in is through cyberspace. Your companies face external risks from terrorists hacking your systems and internal risks from trusted insiders.

We know that hackers have exfiltrated huge amounts of data from the systems of various companies and institutions. The U.S. government is taking strong steps to help shore up vulnerabilities in the .com, .gov, and .edu worlds, and we have identified a number of perpetrators and hardened a number of targets. But as you know, there are always those who are searching for still more vulnerabilities.

Yes, it is your responsibility to protect your systems, but we can help you. Our InfraGard program is a partnership between the FBI and private companies that works to help all of us protect our infrastructure. About two-thirds of Fortune 500 companies are represented, and if you're not a member, we urge you to become one. The InfraGard program lets us share information in a trusted environment on everything from computer intrusions to extortion. If we are all on the same page, we can work with you to investigate the source of the attack and help you guard against another one.

You also face threats from trusted insiders. What if al Qaeda or another foreign sponsor were able to infiltrate someone into your company, perhaps as an IT specialist or systems administrator? The FBI has certainly had a number of applicants for these jobs. Their goal is to get through our screening and get access to our systems. This would be just as dangerous as a truck bomb exploding. These insiders are sophisticated and must be closely watched. Otherwise, they could take down your system, compromise other companies, and cause grave and widespread economic damage.

We all want to protect the privacy of our clients and citizens, yet we also want to protect their security and their lives.

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And so we need to continue our cooperation—and strengthen it. Because more challenges loom ahead, for all of us.

Globalization and technology present new complications. Stored value cards lack regulation and permit both anonymity and easy transportation of funds. Internet banking also opens up new channels for those wishing to make anonymous transactions. And online payment services don't have even basic customer identification and record-keeping regulations.

And on the opposite end of the technology spectrum, we expect to see cash couriers who can move money without the oversight your institutions provide.

Our adversaries will either become more technologically savvy or they will regress to methods that don't leave a paper trail. We can't predict what they will do. But we can do everything in our power to make it more difficult for them.

Tightening our financial systems works to our advantage and to our enemies' disadvantage. The more we work together, the more we deny them the ability to work in secret and force them to be creative. And the more they are forced to take risks and find ways around our systems, the higher the likelihood they will slip up.

And if they do, we will be waiting to catch them. The threat is real, and the stakes are high. We must not fail. And working together, we will not fail.

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